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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block, before the U.S. Chamber of Commerce, Washington, D.C., April 14, 1982

I'm really glad to be here with you today, and thank you for that kind welcome.

It's April 14, and I have to admit that in spite of the weather last week my thoughts tend to take me back to the farm. This time of year, a farmer knows it won't be long before he'll be holding a handful of warm soil. . .and checking the seed supply. . .and pulling the machinery out of the shed.

It's exciting for anyone who lives, eats and breathes agriculture. There's something special about a new season that helps restore enthusiasm. . .optimism. . .and confidence. And, those may well be the three most valuable tools we take into the fields this year. Enthusiasm, optimism and confidence. Never have they been so important.

I realize that some of the net farm income outlooks for this year do not paint a bright picture. I recognize these reports. I can't ignore them. They might be accurate. . .but they have been wrong in the past. They are based on the most reliable information we have to date. But we must remember that our outlooks always overlook the unpredictable nature of agriculture.

It's not the nature of agriculture to look at the figures and say. . ."That's it! We can't do anything about it!" Giving up is not what agriculture is all about. Let me tell you, if our farmers really believed that the worse could happen every year—I sincerely doubt whether a seed would ever get planted.

Let me tell you what I see as the real challenge for agriculture. When I say that agriculture has enthusiasm, optimism and confidence—I'm not suggesting that we stand still. . .peak around the corner. . .and hope that someday we see that evasive light at the end of the tunnel. Our real challenge is to face the fact that we are the

light. . .and there's a nation out there waiting to see what we're going to do.

They're looking at agriculture because this country is beginning to realize the importance of this great industry. American agriculture is the world's largest commercial industry with assets exceeding $1 trillion. It's an industry that generates employment for 23 million people. . .and that's 22 percent of our total labor force. Our export activity brings in about $27 billion in trade surplus. Compare that to the nearly $50 billion deficit shown by the nonagricultural sector. In short, what happens in agriculture will have a great affect on what will happen to our national economy as a whole.

So let's talk about that. Let's look at what our agriculture is doing—both domestically and in the world. And let's look at some positive signs.

Time is on our side in the world market. I have traveled to many potential trade areas in the world, and I can tell you that I am bullish about our export prospects. It isn't all going to happen overnight. As business-minded people, you know there is no quick way to structure a strong recovery. But we are laying the groundwork now, and the continued growth in this world's population is going to work to our advantage.

I'll soon be leading a mission to establish groundwork for future trade with our South American neighbors. We want to assure our customers in South America that we will be a reliable supplier. . .that they have nothing to fear by contracting to purchase U.S. products. We'll carry President Reagan's agricultural doctrine with us. He made it quite clear several weeks ago that we would not embargo agricultural products due to rising domestic prices. . .nor will we single out agriculture as a tool of foreign policy.

Our trade with South America has more than doubled since 1976. At that time we shipped about $1.1 billion worth of agricultural products into that area. Last year the figure reached $2.9 billion. We see an even greater potential in many of South America's developing nations. As their economies turn the corner—and they will—we want to have our foot well into the door.

President Reagan also emphasized that we would not tolerate unfair trade practices. And that's what we'll be talking about in Brazil and

Argentina. We'll be discussing with them our mutual concerns about the trading problems caused by the European Community.

The community is engaged in two practices that we are zeroing in on. First, they are protecting their agriculture by limiting imports. Secondly—and the most damaging—the community uses export subsidies to move its surplus into the world. We have made our feelings known to the European Community about these issues. They may be hearing us. . .but, I'm not certain whether they're listening. I was very disappointed to learn of a recent decision made by the Commission to the European Community. They're looking for a mandate from the European Council of Ministers to approach the United States about renegotiating the zero binding on corn gluten.

This zero duty binding is a concession we won during the Kennedy Round of GATT, and we don't look too kindly on those who want to tamper with it. To allow this to happen would be a definite step backwards. . .and we have no intention of moving backwards. That's why we aren't even going to be open to negotiation.

And there's another point that I want to make. We've taken firm stances in the past against this type of unfair practice. . .but maybe we haven't followed through as firmly as we should have. Well—it's going to be different this time. We will follow through! I am a strong advocate of letting our agriculture function in a free market environment. But we have to realize that the market is the entire world, and unless we can convince others to cooperate—that market will never be totally free. We are on a collision course—either the EC will have to change its ways or we'll have to—and I happen to believe that the free market is going to be the only way. We're looking forward to a meeting of the GATT Ministerial in Geneva this November. Our objective will be to develop a work program leading to better trading rules for agriculture—better than those resulting from the Tokyo Round of trade negotiations.

While the format of the meeting has not been set, there is some sentiment for treating agriculture in a special agricultural group. The trouble is, we've watched these groups work, and we've come to the conclusion that they don't work! They accomplish nothing. Our objective will be to have the problems of agriculture and other industry

treated on the same level—for all groups to give high priority to our problems.

We would also like to see an improvement in our trading relationship with Japan. Let's keep in mind, however, that Japan is a good customer. Today, U.S. agricultural shipments to that country account for 15 percent of our total farm exports. But, we feel there is still room for improvement. Earlier this year the Japanese did announce a liberalization of some nontariff barriers. But, we

were disappointed that no agricultural import quotas were included in that action. On the other hand, we were encouraged that the Japanese have agreed to start talking with us about their trade quotas on beef and citrus sometime in October. This is six months earlier than we had expected. I assure you that we in the government will do everything possible to expand this important market.

I want to emphasize, however, that there is only so much that the government can or should do. The greatest task has to be left to the private sector. It's the private sector that carries order books. . .and moves commodities. . .and follows up with customer servicing. They're accepting that challenge, and they're doing it better than the government could ever hope to.

It will be the efforts of the private sector that will also solve our domestic problems. Let me give you some examples of how this is happening already.

The private lending institutions are taking the lead in helping our farmers out of the cashflow squeeze which many are currently facing due to low commodity prices and high interest rates. I encouraged this type of response when I met with the private bankers recently. We're also doing our part in FmHA to help keep deserving farmers in business.

Another example involves the pork industry, which was facing a long period of declining prices. The pork people realized what the problem was—they were producing just too many hogs.

What did they do? They took it upon themselves to correct the situation. They didn't want government help! Instead, they cut production. . .and they succeeded! The pork economy has turned the corner. A similar situation has been happening in the beef and poultry industries. We're starting to see real strength in those markets.

The private sector is also taking the initiative in the farm facility business. The companies who sell grain bins to farmers have always realized it's important to keep their farmer customers in business. That's why many of these firms are now developing creative ideas for selling and financing their products.

I'm also very happy to note that the private sector—our nation's farmers—are responding quite well to our programs that are designed to reduce production during this short-term period of oversupply. Like the pork producers, our farmers are realizing that cutting production is going to help prices over the long haul. Our latest reports show that we have 130 million acres signed up in our programs. That's 57.5 percent of our total base acreage. And we expect even more before the signup ends this Friday.

I'm certain there are many other examples of how the private sector is responding to the challenge. It tells me that the U.S. economic problems will be brought under control. Remember, time will be on our side if we continue to work together. . .if we continue this cooperation. . .and if we have the patience to let it happen.

Patience is difficult to preach. . .difficult to practice. . .yet it's easy to criticize. But let's remember that those who attack it—those who say this recovery plan won't work—are the same ones who said the last plan would work.

President Reagan has taken off the gloves and is attacking the problems where they need attacking. This is making an uncomfortable situation for some people. We realize that. But we also realize that certain things have to be done if we are going to attain the ultimate recovery. It is important that you make your voices heard loud and clear—louder and clearer than the voices of those who are creating the problems. You have rolled up your sleeves and offered your help. Thank you. . .and keep at it. If we stay tough, we'll get the job done.

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Remarks prepared for delivery by John W. Bode, Deputy Assistant Secretary for Food and Consumer Services, U.S. Department of Agriculture, before the Southwest Regional Training Conference of the American Public Welfare Association, Tulsa, Okla., April 16, 1982

The Food Stamp Program: Nutrition or Income Supplementation?

I'll begin by first thanking Mr. Rader, the director of Human Services of the State of Oklahoma Commission of Human Services, for his invitation to speak. of the State of Oklahoma Commission of Human Services, for his invitation to speak This is a good chance for me to meet and talk with some old friends and aquaintances, and I welcome the opportunity.

Today, I'm going to say a few words on the question of whether the food stamp program is for nutrition or whether it's for income supplementation. And, in conjunction with my remarks on that subject, I'll address this administration's efforts to modify the program.

The Food Stamp Program Today

The food stamp program we know today is a far cry from its beginnings in eight pilot areas in 1961. These eight grew to 43 in July and by the end of 1961 there were 133,000 people participating.

It might interest you to know that the first food stamps spent in the pilot program were spent in McDowell County, West Virginia, by Elderson Munkie, an unemployed coal miner. And Charles McDermott, who now is the comptroller for the Oklahoma Department of Human Services, was one of the people who helped get it started in McDowell county. Mr. McDermott was there when Mr. Muncie spent his food stamps and he is sitting here in this audience.

I also happen to know that he helped bring in the last county in the country to join the program. That is Beaver county, Oklahoma. So he worked on the first and the last!

From those early days until now, the food stamp program literally has been transformed—in the number of participants, in the cost, and in the primary nature of the program.

The Program Grows

When you look at participation and program costs, you see a steady upward climb: 1971, 9.4 million participants at a cost of \$1.6 billion; 1974, 12.9 million participants at a cost of \$2.8 billion; 1979, 17.7 million participants at a cost of \$6.9 billion; and 1981, 22.4 million participants at a cost of \$11.3 billion.

Obviously, the program is working! Maybe it's working too well! By working too well, I mean this: If these figures represented a growth stock, we could all take solace in them. But they don't. What they represent is a program that began very modestly as a successor to a food distribution effort for the needy. Its purpose was to give low income households an opportunity to obtain a nutritionally adequate diet. But it has grown to where it no longer is considered a program for nutrition. Rather, it has taken on an income supplementation identity, especially for those recipients with higher incomes.

How Has This Happened?

To understand how this happened, let's look at some critical developments.

During the years when the food stamp program was a pilot, from 1961 to 1963, households exchanged "normal food expenditures" for food stamps of higher value. Studies showed that only a few of the families' dollars freed by stamps were spent on other things.

In 1964, the program was made permanent and the federal government established the value of the food stamp allotment in such an amount "as would provide such households with an opportunity more nearly to obtain a low-cost, nutritionally adequate diet." Also, in that year, the federal government established the purchase requirement for the full stamp allotment and bore the cost of the stamps, but the states required specified eligibility standards.

The program operated essentially under the 1964 law until some major changes were made in the 1971 amendments. Among the changes were the following: the purchase requirements were lowered; national eligibility income limits were set; and the basic allotment was raised. In addition, the amount of the food coupon allotment would be determined by the Secretary of Agriculture and adjusted annually, based on changes in the price of food.

I believe the two most important changes were the setting of national eligibility limits and then tying the food coupon allotment to an annual adjustment. These changes headed the program toward income supplementation and, in effect, made it a national welfare program, the first based on need rather than particular household characteristics.

Later, in 1973, the program was mandated for all areas of the country by 1974. This meant that those areas operating the food distribution program were required to transfer to the food stamp program. More than 2,000 counties switched from food distribution to food stamps between 1971 and 1974.

Next, in 1977, legislation was passed to eliminate the food stamp purchase requirement. With the purchase requirement gone, participants no longer had to pay cash for a portion of their stamps. This change went into effect in late 1978 and early 1979.

In the years when the purchase requirement was in effect, there was some assurance that a household would spend at least the value of the Thrifty Food Plan for food. However, when EPR became a fact, a family's limited cash now was subject to all the demands made on these funds, no doubt to the detriment of the family's food purchases. Certainly, this change severely limited the nutrition function of the program.

Another important change in the 1977 law was that the previous eight allowed deductions were reduced to three. These three deductions were a standard deduction which everyone could claim; an earned income deduction; and a combined dependent care/excess shelter deduction.

In the 1980 amendments, the food stamp allotment and the standard deduction were placed back on an annual adjustment schedule, instead of twice yearly.

I'll discuss the 1981 amendments and the 1982 proposals momentarily. From this short and selected outline, we can see the evolvement of the program: national eligibility limits and standard deductions were set; the allotments were pegged to the price of food; previously, the allotment level was raised and the purchase price lowered; finally, the purchase requirement was eliminated altogether.

Several studies have shed some light about the nature of the program as these changes were being made:

— Studies of the pilot food program have indicated uhat between 85 and 95 cents of every dollar freed up by food stamps were spent to increase food purchases.

— A study done in 1972-73, the Consumer Expenditure Dairy Survey, estimated that 43 cents of every dollar freed by food stamps was spent on nonfood purchases. Other studies had similar conclusions.

— Finally, we have been looking at the effect of EPR on how much of their own cash participating families spend on food. The results of the study will be available in June. My own impression is that the elimination of the purchase requirement has further reduced families' spending on food.

Since I believe food stamps should be primarily for nutrition, I think the trend I've described should be slowed, and even reversed. After all, the stamps still are tied to the USDA Thrifty Food Plan and the program is in the agriculture department, not the Department of Health and Human Services. In recent months, this administration has worked to slow the growth of the food stamp program and to refocus its benefits on lower income people. Through the 1981 amendments, we have achieved a savings of $1.5 billion in program expenditures in 1982.

Here are the major changes in the amendments:

— We're in the process of removing some 870,000 higher income people from the rolls for a savings of $180 million.

— We have begun to prorate benefits from the day of application instead of the first of the month for a savings of $370 million.

— Strikers now are prohibited from participating for a savings of $37 million.

— Cost of living benefit increases have been delayed and deduction updates frozen for a savings of $1.141 million.

— These savings will be reduced by $400 million in "interaction costs." This means that since 1982 Supplemental Security Income and Aid to Families with Dependent Children benefits have been decreased and food stamps have automatically made up some of the difference. Further change in the CETA/PSE program and in unemployment insurance also have been accounted for in the interaction costs.

The 1983 Ppoposed Budget

The amendments enacted in 1981 represent an important first step to check excessive expansion of the food stamp program, and we expect to make additional changes in 1983 which will save an additional $2.3 billion. Certain other proposed changes would be effective July 1, 1982, and would save about $273 million in the final quarter of fiscal year 1982.

I want to point out, however, that we will continue to hold constant the support of the neediest on the program—and the four million recipients at the bottom would have no change in their benefits. The proposals would affect only those above the bottom four million. The proposals would have the largest impact on households with incomes above the poverty line. Nearly 55 percent of these households would lose eligibility.

The major proposed changes would increase the benefit reduction rate from 30 to 35 percent effective July 1; repeal the 18 percent earnings deduction; include energy assistance payments as income when determining eligibility; and reduce the allowable error rate to three percent. Still, we expect to serve more than 17 million in 1983.

Need for Further Study

Besides the post EPR study I mentioned earlier, we soon will begin evaluating the Puerto Rico block grant. This will include some review of food consumption. Puerto Rico recently submitted plans to cash out the program in 1983. While these plans have not been approved or disapproved, such an initiative certainly will cut down on administrative costs, including the printing of coupons and their transportation and security. These are some of the factors we would weigh as we consider Puerto Rico's request.

In addition to the study in Puerto Rico, we are conducting a demonstration project for elderly and SSI recipients on the effects that cashing out has on diets eaten, food expenditures and administrative costs.

By studying the effect of EPR and the effect of cashing out we can find out more about the basic nature of the program and how it affects

recipients. With more knowledge, we can make the program better, especially for those who need our help.

I will be happy to address any questions you may have.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Secretary of Agriculture John R. Block before the Joint Economic Committee, Subcommittee on Agriculture and Transportation, April 15, 1982

Our nation's economic growth has been achieved in large part by phenomenal productivity gains in agriculture. Efficiencies achieved in agriculture have permitted the portion of consumer income spent for food in the U.S. to be among the lowest of all countries in the world. This, in turn, has released income to buy other goods and services. Agricultural productivity has facilitated the transfer of farm workers into industrial and service activities demanded by consumers as their nonfood budgets have grown. We owe our present high standard of living to an efficient, productive agricultural sector.

Farmers were once nearly self sufficient, but today the process of meeting food and fiber needs involves much more than farming. The farm input industry, as well as food marketing and processing industries, have become important sectors of the economy in terms of income and employment. Consequently, our food and fiber system today is strongly affected by and contributes significantly to the nation's overall economy.

U.S. farmers not only provide basic food and fiber products to our domestic consumers, but they also supply these products to a large portion of the world. In fact, among the most significant developments in agricultural markets in recent years has been a rapid increase in the level of international trade. U.S. agricultural exports rose from 12 percent of U.S. production in 1970 to 28 percent in 1981, and generated almost $100 billion of economic activity in our economy. This year, nearly two-thirds of U.S. wheat and more than half of the soybean crop will be exported, along with about one-fifth of feed grain production and 45 percent of cotton output.

As agriculture has become more integrated into our overall domestic economy and dependent upon world markets, it has become more vulnerable to fluctuations in the marketplace. This year global demand for food and fiber has been dampened by high interest rates, a strong

dollar and lagging world economic growth. With lagging demand and rapidly rising input prices, some of this nation's farmers are now facing severe economic conditions.

Current Supply and Demand Situation

A combination of record crop and livestock production in the United States, generally good crops worldwide, and weak demand for our farm products here and abroad has depressed commodity prices. Farm-level soybean, corn and cotton prices are now 15 to 30 percent below a year ago. Prospects are that prices will not strengthen significantly until the large supplies of most farm products currently available on the market are consumed.

Record Crop and Livestock Production

The excellent crops harvested in the United States and abroad in 1981 set new supply records for virtually all the major agricultural products. By doublecropping and converting land from other uses, farmers in the United States planted 9 million more acres in 1981 than the record 356 million acres planted in 1980. This record acreage, combined with excellent yields, pushed crop production up 15 percent above drought damaged 1980 levels and 5 percent above the previous 1979 record. Two billion bushels more wheat, feed grains and soybeans were produced in the United States this marketing year than last. This increase in U.S. crop production is greater than the total output in any other country of the world except the USSR, China and India. Livestock supplies—red meat and poultry as well as dairy products—in 1982 are also at record levels, although growth has been appreciably smaller than in the crop sector.

Dampened Growth in Domestic Demand

So far this year domestic demand for these record supplies of crops and livestock products has fallen short of even the modestly stronger levels forecast last fall. The state of the general economy underlies this basically weak demand for farm products here in the United States. In simple terms, stagnating per capita incomes, high unemployment, and high interest rates are limiting growth in domestic use of agricultural products to 1 to 2 percent—a partial recovery at best from the 6 percent

drop in use reported a year ago when drought cut supplies sharply. Real disposable income per capita at the end of 1981 was only slightly above 1979 levels and unemployment has been in excess of 10 million. The most direct impact of this difficult economic situation on the demand for farm products has been concentrated in the livestock sector and, in turn, in the demand for feed—both grains and oilseeds. Demand for uses other than feed has also proven weaker than expected earlier in the year.

High interest rates have also weakened commodity demand by increasing the cost of inventory holding. The cost of holding stocks is half again as high as a year ago while the incentive to hold stocks is weaker than a year ago. As a result, processors are minimizing their inventory holding and passing the expense of stock holding back to farmers who also face cash flow problems generated by high interest charges on borrowed capital.

Growth in Foreign Demand Disappointing

Foreign demand for our products, while a record in 1981, was smaller than the farm sector expected. While the volume of products exported this year is likely to be up 3-4 percent from last year, lower prices will keep the value of our exports below the 1981 level. The decline in export value forecast for 1981/82 represents the first year-to-year decline in the value of our exports in 13 years.

This disappointing demand for our exports is due in large part to generally large harvests around the world outside the Soviet Union. It is also due, however, to lagging economic growth, high interest rates and high unemployment virtually worldwide. U.S. farm products are also currently in a particularly weak competitive position. The appreciation of the dollar has undermined the competitive appeal of U.S. farm products. While our export prices have fallen 10-15 percent in the last 12 months, the cost of U.S. dollars to foreign buyers has risen 30-35 percent. Thus, the cost in local currencies of our farm products has actually risen 20 percent in a year when foreign supplies are generally large and depressed economic conditions are keeping demand weak. The impact of the appreciation of the dollar on selected markets has been even more pronounced. Many of the largest importers of U.S. wheat, for example, face import prices 50-100 percent above a year ago.

Carry-Over Stocks Up: The net result of these foreign and domestic developments has been a 10 percent increase in the supplies of farm products, a 2 percent increase in usage and a 5-10 percent decrease in real farm prices. Carry-over stocks at the end of the 1981/82 marketing year will be at a 15-year high for feed grains and an all-time high for soybeans.

While this build-up is not excessive if measured in terms of stock/consumption ratios, it is high enough relative to anticipated short term use to dampen prices. The largest price reaction to date has been in the feed grains where corn and soybean prices have fallen off 25 percent since last summer. Wheat prices, reflecting the smaller increase in stocks, are off 10 percent from a year ago.

Farm Income and Financial Situation

The tightening squeeze between receipts and expenses has weakened many farmers' income prospects. Traditionally, farmers have been able to withstand short-term income fluctuations by borrowing against farm equity to cover production expenses. However, record-high interest rates, slower rates of increase or, in some areas, softening of land values and low commodity prices have reduced the equity available to many operators.

The farm sector debt-to-asset ratio increased from 16 to 16.5 during 1981. It is likely to increase further during 1982. Total farm debt has nearly doubled in the last five years, with the carrying of that debt having become a major source of current cash flow problems. The farm sector's debt servicing burden has increased sharply due not only to higher debt volume but also because of higher open market interest rates as old debt is rolled over at higher current rates. A result of this trend is that the farm income left after payment of interest and taxes has become much more uncertain. Farmers have coped with cash-flow problems by rescheduling payments, taking on more debt and postponing large capital expenditures.

The farmers most threatened by adverse financial conditions are those that are highly leveraged financially and with low equity. Even with depressed income prospects, farmers with adequate equity are able to obtain financing. However, farmers who have recently financed a substantial expansion and beginning farmers could face obstacles in

obtaining needed debt financing. Some of these farmers with a high debt-to-cash flow situation are in an especially poor position this year.

Credit is available to help qualified farmers meet short term needs. Agricultural banks have substantial loanable funds with an average loan-to-deposit ratio comparable to the level of a year ago, but significantly lower than that of the late 1970's. The farm credit system and the Farmers Home Administration also report ample supplies of loanable funds. However, lenders are raising collateral requirements, and with high interest rates, at least some farmers will have difficulty qualifying for credit.

The Commodity Credit Corporation has also increased lending substantially in fiscal 1982 to meet short term needs. Nearly $10.8 billion in new commodity loans are expected to be made this fiscal year—more than twice the fiscal 1982 amount.

Most lenders are reluctant to foreclose. Renewals and extensions are higher than usual and in some cases bankers are suggesting that farmers sell some land in order to continue operating. Lenders are providing servicing assistance to farmers by aiding them in cash flow projections and improved debt management. The number of farmers requiring such assistance is higher than under normal conditions and lenders are paying closer attention to the quality of their loan portfolios.

Past investment decisions made by many farmers who are now under financial stress were considered prudent in the inflationary environment of the 1970's. Unfortunately, unusually good weather, coupled with lagging export markets, have resulted in a lowered level of commodity prices. In the past, large crops and strong export markets tended to generally offset each other. Rarely have successive years of good crops and declining export markets occurred. This, in addition to the strong international position of the dollar, has created temporarily severe financial conditions for some farmers—conditions that should be overcome as interest rates decline and the U.S. and world economies experience a healthy recovery.

The current downswing in farm income is a repeat of past events. Farmers had a good year in 1979, followed by two poor years in 1980 and 1981. Patterns of good years followed by bad ones are not new. This has long been a basic farm problem. But, farm income instability has increased greatly since the early 1970's. From 1943 to 1971, net

farm income fluctuated between $10.5 billion and $17.7 billion, with most years concentrated around $12-14 billion. Since 1971, net farm income has varied from $18.4 billion to $33.3 billion, with many of the year-to-year changes ranging from $8 to 12 billion. This increased instability of farm income from changes in the domestic or world economies makes it especially important that we have a consistent and reliable set of programs to help farmers during financial difficulties.

Short and Medium Term Outlook

Besides weather, uncertainties about the U.S. and world economies — particularly economic growth and interest rates and farmer participation in commodity programs—make it difficult to pinpoint the timing or pace of recovery in the farm sector. The livestock sector has already undergone much of the adjustment needed to bring supply into line with demand. Hog producers in particular have cut back on their production plans in order to bring supply into balance with demand at profitable prices. The current situation in the crop sector could continue, however, if economic recovery slows and improvements in real disposable income are delayed; if continued high interest rates limit agricultural investment and keep farm production costs high; and if worldwide recession and an appreciating U.S. dollar continue to dampen world demand for our products.

In contrast, the current situation will improve with a strong and sustained recovery throughout the economy perhaps beginning this summer; with the expected lower interest rates as the recession ends; with a strong recovery in agricultural export demand; and with reduced farm production this year. Real disposable personal income per capita in the final months of 1982 could run as much as 2.5 percent stronger than year-earlier levels.

Still, barring unusually poor weather here and abroad, foreign and domestic demand for farm products is not likely to be strong enough to reverse the current situation completely in 1982/83. Over the next several years, however, commodity markets and the farm income situation should strengthen considerably due both to basic supply and demand developments here and abroad and the package of programs and policies put into place by the administration.

Developments over the last 6 months have tended to emphasize the underlying strength of foreign demand for our products. Even with the unusual combination of slow economic growth rates around the world, an appreciating U.S. dollar, and large foreign crops, global use of farm products in 1981/82 have increased more than 1 percent and U.S. exports, measured in volume terms, increased 4 percent. As the prospects for trade in general improve beyond 1982, the U.S. competitive position in the world market should also strengthen.

Economic recovery in Western Europe, a narrowing of international interest rate differentials, and the easing of the Polish situation should buoy the major European currencies relative to the U.S. dollar. Moreover, the United States' deteriorating balance of payments—itself largely a result of the dollar's rise in 1981—will act to dampen foreign demand for dollars.

These foreign and domestic demand factors should expand total demand for U.S. farm products in 1983-1985 at least as fast as growth in supply and raise commodity prices and incomes. Moreover, over the longer term of 3 to 5 years, economic recovery here should help slow increases in production expenses. The resultant combination of stronger commodity prices and lower expenses will improve farm income over present levels.

Policy Environment

The U.S. share of world trade in agricultural exports is immense. You can be sure we are going to work hard to increase our share of world trade. Our share of total world grain trade is expected to hold somewhere around the 1981/82 level of 54 percent while our share of world trade in soybeans say increase slightly from a 78 percent share in 1980/81. Cotton trade by the U.S., as a share of the world total, is also expected to increase from 30 to 34 percent in 1981/82. International markets are typically volatile and they have introduced a new degree of price instability into U.S. farm product markets. One result is that net farm income varies more widely from year to year. The substantial rise in the value of the U.S. dollar has been a critical factor this year. Although the prices received by our producers are currently depressed, the cost to the importer has substantially increased.

The farm sector stands to greatly benefit from the president's overall policies which are geared to reducing inflation and interest rates and revitalizing our domestic economy. Lower interest rates benefit the farmer by lowering his cash outflow. This, in turn, will lead to an improved net farm income, induce more investment, provide productivity growth within the sector and stimulate national economic growth.

The acreage reduction programs recently implemented by the administration will help to alleviate the current supply problem. Programs have been announced for the 1982 crops of wheat, feed grains, cotton and rice, with a sign up period through tomorrow, April 16. This is a self help measure farmers can take to strengthen prices by reducing the 1982-83 marketing year supplies.

It will take a period of time to work out of the current situation. On the demand side, market factors here and abroad, which are currently depressing consumption, should become a source of strength later this year, reflecting economic recovery in the United States and the major importing countries. On the supply side, we have designed a 1982 crop program that will lead to higher prices and incomes for farmers. The acreage reduction programs, together with the higher reserve loans offered under the farmer-owned reserve program, will help improve the situation.

In addition, in order to help alleviate current downturns in commodity prices, we have taken a number of actions which should help keep excess supplies off the market, thereby strengthening prices in the short-run. Producers have been given the opportunity to delay their decision to repay their regular price support loans. Rice producers can extend their 1980-crop loans until June 30 of this year; cotton and grain sorghum producers with 1980-crop loans and wheat producers with 1980 and 1981-crop loans can extend their loans for a full year.

The announcement of the 1982 farm programs was delayed somewhat since we did not have new farm legislation until mid-December. As a result, many planting decisions were made in an atmosphere of doubt and apprehension. Since we now have legislation in place, we will be able to announce the 1983 farm programs in a more timely manner. As we look ahead, this will give producers ample time

to incorporate the provisions of the programs into their planting and managerial decisions.

Clearly, the commodity programs of the U.S. Department of Agriculture are tools available to farmers that permit them to help themselves. It is not possible for the federal government to step in and artificially support prices that guarantee profits for everyone. Even if there was enough federal money to do so, such actions would lead to serious market distortions and could have future unforeseen repercussions.

We cannot overlook the fact that many farmers are experiencing financial problems. Yet, there are credit sources available to farmers as they enter the planting season. Private lenders are finding ways to keep their existing borrowers in business. Some of the financing techniques that are being used include the rescheduling of debt payments, borrowing additional amounts on existing assets, and postponing large capital expenditures.

In addition, we have increased loan funds and reduced the annual interest rate on Farmers Home Administration farm operating loans. Interest rates on operating and ownership loans for limited resource farmers have also been reduced. These actions have been taken to assist those farmers who are unable to extend borrowing from commercial sources. FmHA is cooperating closely with the lending community to provide additional assistance for farmers in difficulty this year. Our underlying policy is that FmHA will do everything it can, within sound lending practices, to assist present borrowers experiencing difficulty in repaying their loans on schedule.

This administration has taken a strong stand against an agriculture specific embargo. Such embargoes tend to harm only the producer while they serve to drive our foreign constomers to alternative markets. Nothing is more important to U.S. agriculture than expanded markets. The United States is working hard to rebuild its reputation abroad as a reliable supplier of agricultural products.

Needs vary widely among countries importing U.S. commodities. In an effort to better serve our foreign customers, joint industry/government teams are visiting many countries. I personally have led 4 teams to 3 continents. Credit and a range of market development and planning needs are being met through these activities.

Host countries have been pleased—and in many cases surprised—that private industry and the U.S. government are teaming up to better meet their needs.

Export subsidies and trade barriers by the European Economic Community and protectionist policies in Japan have taken ever larger tolls on U.S. farm exports. We are, therefore, aggressively working to reduce these immensely unfair programs. EEC subsidies on wheat exports alone cost our producers more than 60 cents a bushel last year, a loss in net income of about $1.6 billion. Under USDA leadership we have developed a unified government approach to dealing with trade problems with the EEC. One result has been a recognition in a recent meeting between high-level EEC officials and Deputy Secretary Lyng and Assistant Secretary Lesher that agricultural issues should receive priority attention. Several complaints have been filed in the General Agreement on Tarriffs and Trade process. In other countries we are trying to reduce restrictions on market access.

As agriculture has become increasingly integrated into the U.S. and world economies, policies affecting the general economy have become profoundly important to farmers. In fact, in the past few years, we have reached the point where monetary and fiscal policy decisions have had at least as much impact on farmers as farm price support programs. While farm program provisions seem to dominate our attention, farmers are becoming increasingly concerned with interest rates, growth in demand, inflation and exchange rates. We must give more attention to the underlying economic problems that affect agricultural markets and what is being done about them.

Some less subtle consequences of inflation and high interest rates have been noted above. The seventies was a period of growth for U.S. agriculture. But as inflation has accelerated and interest rates have risen, many farmers have been faced with the prospect of large fixed expenses despite low crop and livestock prices. In some cases, the traditional price support and credit remedies now offer limited relief. Fortunately, there are recent indications that inflation is finally coming under control. By continuing to maintain sound and consistent monetary and fiscal policy, the problems of financial and commodity market instability will be helped.

It is important that we avoid actions that will stifle agriculture and the rest of the economy's ability to respond favorably to improved market prospects. As my esteemed colleagues—the four former secretaries of agriculture—pointed out to you in their testimony before this committee on March 29, there is no quick solution to the problems farmers are facing today. We must be careful to take only those measures that will not endanger economic recovery or the long-term viability of our agricultural sector. In the longer-term, the ability to emerge from difficult years in a strong, competitive position holds the key to lasting prosperity for farmers. Likewise, efforts to promote fair trade practices are immensely important to the future of farmers and to the economy as a whole.

There is no question that farmers are going through a severe financial situation. But as supply and demand come into closer alignment and as economic recovery becomes a reality, we believe that a dramatic improvement will be realized in the agricultural economy.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

FINAL POUNDAGE QUOTA REGULATIONS ANNOUNCED FOR 1982 PEANUT CROP

WASHINGTON, April 9—The U.S. Department of Agriculture today issued regulations concerning peanut poundage quotas for 1982 which, except for minor changes, are the same USDA proposed and published in the March 8 Federal Register.

According to Everett Rank, administrator of USDA's Agricultural Stabilization and Conservation Service, the minor changes provide that:

— Farms on which there is inadequate tillable cropland as the result of performance of a conservation practice shall not be exempt from poundage quota reductions.

— If the current constitution of the farm differs from the constitution of the farm for any one or more of the base period years, an individual determination shall be made for each separately identifiable farm or tract as it was constituted for that year of the base period.

— The "effective" farm poundage quota will be used in the formula to calculate actual undermarketings.

— USDA will not approve transfers of poundage quota to farms with the inadequate tillable cropland to produce the poundage quota.

Rank also said the 1981 farm act requires each state to receive the same pro rata share of the 1.2 million-short-ton 1982 national poundage quota it had of the 1981 quota.

With regard to USDA requirements concerning transfering poundage quotas, Rank said the 1981 farm act authorizes transfers by lease, sale, owner or operator, across county lines within a state in those states which had a state poundage of 10,000 tons or less for the 1981 crop. Those states are Arizona, Arkansas, California, Louisiana, Missouri, Mississippi, New Mexico and Tennessee.

For the other peanut producing states, transfers by lease or sale are authorized but are limited to those within the same county. However, transfers by owners or operators are authorized to other farms owned or controlled by such owner or operator in the same county or in a county

contiguous to the transferring county in the same state if the receiving farm had a farm poundage quota established for the 1981 crop.

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USDA NAMES POTATO BOARD MEMBERS

WASHINGTON, April 13—Secretary of Agriculture John R. Block has appointed 24 members to serve three-year terms on the National Potato Promotion Board.

The board administers the producer-sponsored national research and promotion program for potatoes. USDA's Agricultural Marketing Service monitors the program and reviews its budget, plans and projects.

Each state that produces potatoes is entitled to one member on the board and one additional member for each 5 million hundredweight of annual potato production above the first 5 million.

New board members are:

Colorado—Thomas Ford, Alamosa; Idaho—Roland Bean, Burley, and W. Gary Whiteley, Oakley; Montana—M. Koehnke, Townsend; Nevada—Marvin Hetrick, Orovada; Washington—Adolph C. Bernhardt, Moses Lake; and Wisconsin—R.H. Diercks, Antigo.

Reappointed members are: Arizona—John R. Livacich, Rialto, Calif.; Delaware—Joseph Jackewicz, Magnolia; Idaho—Michael Cranney, Oakley, Gerald Fehringer, American Falls, Lin F. Hintze, Mackay, and Richard D. Watt, Pingree; Louisiana—Paul Laborde, Hessmer;

Massachusetts—John G. Savage, West Deerfield; Minnesota—George Mack, East Grand Forks; Nebraska—John D. Nielsen, Alliance; New Mexico—J.M. Jorde, Clovis; North Carolina—Melvin W. Bright, Elizabeth City; Ohio—Arden Ramseyer, Wooster; Oregon—Fred J. Cholick, Portland, and James E. Wampler, Powell Butte; and Washington—Doug S. Muse, Pasco, and Bill Weber, Quincy.

The three year terms began April 1.

The potato research and promotion program is financed through assessments authorized by the Potato Research and Promotion Act of 1971. The board carries out projects designed to increase consumption

and expand domestic and foreign markets for potatoes. Current annual budget for the program is $2,187,000 which is made up exclusively by industry assessments.

#

USDA VETERINARIANS HELP DENMARK IN FOOT-AND-MOUTH DISEASE FIGHT

WASHINGTON, April 13—Denmark has accepted the U.S. Department of Agriculture's offer to furnish two veterinarians to assist in containing the foot-and-mouth disease outbreak on the island of Fyn.

Harry C. Mussman, administrator of USDA's Animal and Plant Health Inspection Service, said Drs. Keith Hand and Kay Wheeler have arrived in Denmark and are expected to be there for at least six weeks.

"Not only will the USDA veterinarians provide assistance to Denmark in controlling this outbreak, but they will gain experience that would be invaluable in fighting this terrible livestock disease should it ever invade the United States," Mussman said.

Foot-and-mouth disease was diagnosed near Gudbjer, Denmark, on March 18. Since then the disease has spread to 15 other nearby farms. All infected and exposed livestock on these farms—1,530 cattle and 2,257 hogs—were killed and buried on the premises, which were then cleaned and disinfected. The USDA veterinarians will help Danish officials in tracing where the disease came from and where it may have spread.

Foot-and-mouth disease, caused by one of the smallest and most resistant viruses known, is primarily a disease of cloven-hoofed animals, including cattle, sheep, goats, deer and swine. The virus is highly contagious; it survives for long periods of time and spreads when healthy animals come in contact with affected animals or contaminated materials. Symptoms include blisters in the mouth—excessive salivation—and blisters between the toes—severe lameness. Mortality rates for mature animals are low, but losses of very young or very fat animals may be high.

The disease is widespread in Europe, Asia, Africa and South America. Denmark had been free of foot-and-mouth disease since 1978.

Kay William Wheeler is veterinary medical officer for western New York, working from his office in Akron, N.Y. He has had special training as a USDA foreign animal disease diagnostician.

Keith A. Hand is foreign animal disease epidemiologist with the USDA emergency disease program staff at Hyattsville, Md.

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APRIL 9 ACREAGE REDUCTION REPORT SHOWS 130 MILLION ACRES ENROLLED

WASHINGTON, April 13—Farmers have signed up in the 1982 acreage reduction programs 130 million acres of feed grain, rice, upland cotton and wheat base acreage according to figures released today by the U.S. Department of Agriculture. The enrolled acreage represents 57.5 percent of the 226 million acres of total base acreage.

Last week, USDA reported 101.3 million acres had been enrolled.

The signup, which continues through April 16, is required before farmers are eligible for program benefits such as Commodity Credit Corporation loans, target price protection and—for wheat and feed grain participants—eligibility for the grain reserve.

Base acreage enrolled through April 9 includes 61 million under the the feed grain program, 2.6 million under the rice program, 10.4 million under the upland cotton program and 55.9 million under the wheat program.

Farmers who sign up to participate in the acreage reduction programs for upland cotton, rice and wheat agree to reduce their base acreage of these commodities by at least 15 percent while feed grain producers will voluntarily reduce their base acreage by 10 percent. The acreage taken out of production will be devoted to a conservation use.

The 1982-crop national average loan rates are: barley, $2.08 per bushel; corn, $2.55 per bushel; oats, $1.31 per bushel; sorghum, $2.42 per bushel; wheat, $3.55 per bushel; rice, $8.14 per hundredweight; upland cotton, $0.5708 per pound.

Reserve loan rates are: barley, $2.37 per bushel; corn, $2.90 per bushel; oats, $1.49 per bushel; sorghum, $2.75 per bushel; wheat, $4.00 per bushel.

Target prices for the 1982 crops are: barley, $2.60; corn, $2.70; oats, $1.50; sorghum, $2.60; wheat, $4.05; rice, $10.85; upland cotton, $0.71.

#

USDA PROPOSAL WOULD REDUCE PAPERWORK FOR SCHOOL LUNCH PROGRAM

WASHINGTON, April 14—A proposal to cut paperwork in local school lunch programs has been issued by the U.S. Department of Agriculture.

"The proposal, part of the administration's drive to provide regulatory relief, would ease federal record-keeping and reporting requirements for school food authorities and give states more flexibility in administering school nutrition programs," said Mary C. Jarratt, assistant secretary for food and consumer services.

The proposed rule would cut down on paperwork by eliminating the requirement that schools maintain separate cost accounts for their school breakfast, school lunch and other nonprofit school food service operations.

Schools would be required to maintain only the revenue and expenditure records to document the use of funds and the nonprofit status of their food service programs.

It is estimated that the change will save states and local schools more than seven million hours of staff time in meeting federal record keeping and reporting requirements.

Once the proposal is effective, it will be up to state educational agencies, which are responsible for administering school lunch programs in each state, to determine the best system for monitoring the financial records of local schools.

The proposed regulations are issued under the Omnibus Reconciliation Act of 1981. Public comments should be sent by June 8

to Stanley C. Garnett, school programs division, Food and Nutrition Service, USDA, Alexandria, Va. 22303.

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USDA ANNOUNCES 1982 TOBACCO PRICE SUPPORT LEVELS

WASHINGTON, April 14—Federal loan levels for eligible tobacco have been raised 10.8 percent above 1981 levels, Secretary of Agriculture John R. Block said today.

The 1982 support levels, by kind, and comparable 1981 rates, are:

KIND	1982 CROP	1981 CROP
	(cents per pound)	
Flue-cured, types 11-14	175.9	158.7
Burley, type 31	181.3	163.6
Virginia fire-cured, type 21	123.0	111.0
Kentucky-Tennessee fire-cured types 22-23	123.0	111.0
Dark air-cured, types 35-36	109.4	98.7
Virginia sun-cured, type 37	109.4	98.7
Cigar binder, types 51-52	125.5	113.3
Cigar filler and binder, types 42-44, 53-55	90.7	81.8
Puerto Rican, type 46	94.1	84.9

Current legislation requires that price supports be made available for those kinds of tobacco for which producers have approved marketing quotas. The law requires support levels for those kinds of tobacco be determined by first calculating the ratio of the average index of prices paid by farmers during calendar years 1979-81 (944) to the index average for 1959 (298). This ratio (3.17) is then multiplied by the 1959 support level for each kind of tobacco to determine the 1982 support level.

In 1981, support prices were 286 percent of the 1959 prices; for 1982 support prices are 317 percent of tne 1959 prices.

Price support programs for tobacco are administered by the U.S. Department of Agriculture's Agricultural Stabilization and Conservation Service through loans to producer associations.

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FERRY-MORSE SEED CO. PAYS $3,500 TO SETTLE SEED ACT CASE

WASHINGTON, April 14—Ferry-Morse Seed Co., Mt. View, Calif., has paid $3,500 to the U.S. Department of Agriculture to settle a case involving shipments of seed alleged to be in violation of the Federal Seed Act.

The case was settled in an agreement between the company and officials of USDA's Agricultural Marketing Service. The company neither admitted nor denied the charges.

Thomas H. Porter, an AMS official, said the case involved seven shipments of vegetable seeds into Texas, Oklahoma and New Jersey in 1980 and 1981.

Alleged violations, while not the same for all shipments, were false labeling as to the variety name and failure to show required labeling for "Below Standard" seed, Porter said.

The Federal Seed Act is a truth-in-labeling law designed to protect farmers and gardeners who buy seed. USDA's Agricultural Marketing Service administers the act with the help of state seed agencies.

Seed regulatory officials in Texas, Oklahoma and New Jersey cooperated with USDA in the investigations.

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BLOCK POSTPONES TRIP TO SOUTH AMERICA

WASHINGTON, April 14—Secretary of Agriculture John R. Block announced today he is postponing his April 27 to May 8 trip to South America because of impending decisions and announcements on the dairy program.

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USDA TO ASSESS MISSION AND LONG-TERM GOALS FOR ANIMAL AND PLANT HEALTH INSPECTION

WASHINGTON, April 14—The U.S. Department of Agriculture today signed a contract for a study to assess the mission and long-term goals of its Animal and Plant Health Inspection Service.

The 12-week study will determine, among other things, which APHIS functions are basic to a national system of agricultural health protection, and which could be shifted to the states and private industry, said Assistant Secretary of Agriculture C.W. McMillan.

Caro Luhrs Associates of Washington, D.C., will conduct the study.

"It's time to take a hard look at what the federal role in animal and plant disease and pest control should be, both in the light of possible funding cuts and this administration's efforts to transfer many federal functions and responsibilities to the states and the private sector," McMillan said.

"But we want to make sure," McMillan said, "that APHIS retains the ability to protect American agriculture from foreign diseases and pests and that it continue to provide national leadership in animal and plant health."

The $58,200 study will be done by Caro Luhrs, Georgetown Medical School faculty member and former director of Booz-Allen and Hamilton's Health and Medical Division; Ronald Mikesell, independent consultant and former staff member of Booz-Allen and Hamilton; and Gilbert Wise, associate administrator of APHIS from 1972 to 1974.

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CHANGES MADE IN NATIONAL FOREST TIMBER SALE PROCEDURES

WASHINGTON, April 15—New procedures for selling national forest timber go into effect today, according to R. Max Peterson, chief of the U.S. Department of Agriculture's Forest Service.

Peterson said the changes should reduce speculative bidding for national forest timber, provide a more prompt and orderly harvesting of timber, speed the flow of cash from timber sales to the U.S. Treasury

and local governments, and reduce the need for future timber sale contract extensions.

Because of poor lumber markets, the Forest Service last October made available a two-year extension for most timber sale contracts. Changes in timber sale procedures were proposed in January.

Both steps were taken in an effort to help prevent serious economic disruption to communities and industries dependent upon national forest timber, Peterson said.

In addition to the changes being implemented this month, Peterson said the Forest Service is developing a policy which will permit contract prices to be adjusted automatically in the event severely depressed market conditions should occur in the future.

The adjustment policy will be proposed for public review and comment later this year, he said.

Although some of the changes announced today have been adopted as proposed in January, others have been modified or discarded in light of public comments.

For example, payments at mid-point of sales will be required, but the way the midpoint is calculated has been changed, and purchaser road credits may be used as cash. Proposals for proof of performance bond availability and defaulter prequalifications prior to bidding will not be implemented because of difficulty in establishing sufficiently objective standards.

The proposal for monthly deposits during the last year of sales has been dropped.

The proposal for a bid guarantee of 5 percent of advertised price has been kept, but a provision for forfeiture of the guarantee if certain conditions aren't met has been added. The high bidder will have 30 days instead of the proposed 10 to replace the bid guarantee with a cash deposit of 5 percent of the bid price.

Several of the provisions will apply only to sales of over 3 years in length and more than $10,000 in amount.

A proposal for providing discounts for early harvesting of timber will be tested on selected western forests for at least two years before it is implemented nationwide.

Provisions for a maximum performance bond of $500,000 and for stumpage rate adjustment in western Oregon and Washington after

March 31, 1983, are being adopted as proposed, Peterson said. For contract extensions or contract defaults, purchasers will have to make payments to cover interest and costs not collected under earlier procedures.

The new timber sale procedures are scheduled to be published in today's Federal Register.

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USDA PROPOSES REGULATIONS FOR TREATMENT OF FOOD WASTE FED TO SWINE

WASHINGTON, April 15—The public has until June 18 to comment on a U.S. Department of Agriculture proposal to set minimum nationwide standards for treating food waste to be fed to hogs.

"Diseases such as African swine fever, foot-and-mouth disease and hog cholera can be spread to healthy swine if they eat raw or incompletely cooked meat scraps containing the virus," said Harry C. Mussman, administrator of USDA's Animal and Plant Health Inspection Service.

He said states would have the primary responsibility for enforcing the proposed regulations and the intent of the Swine Health Protection Act—which is aimed at preventing the introduction and spread of foreign animal diseases. Nothing in the proposal would prohibit a state from having more stringent requirements, Mussman said.

Under the proposal, food waste would be defined as all waste material derived from or associated with the meat of any animal, including fish and poultry, resulting from the handling and preparation of food. Waste from ordinary household operations fed directly to swine on the same premises is exempt, Mussman said.

The proposed regulations would prohibit producers from feeding food waste to swine unless it has been treated at a facility operated by a licenced individual. Treatment would consist of boiling the food waste material — 212 degrees Fahrenheit or 100 degrees Celsius at sea level — for at least 30 minutes.

The federal regulations would not supersede state laws which prohibit feeding food waste. Current laws in these 16 states prohibit the practice: Alabama, Delaware, Georgia, Idaho, Illinois, Iowa, Louisiana, Maryland, Mississippi, Nebraska, New York, South Carolina, South Dakota, Tennessee, Virginia and Wisconsin.

Applicants for a license would have to demonstrate that their premises, facilities and equipment comply with the regulations. Facilities would have to be constructed to prevent access of swine to food waste handling and treating areas. The material would have to be covered until treated. The proposed regulations also spell out how licenses could be suspended or revoked.

Of the 33 states that currently allow the feeding of treated food waste, inspection is carried out by both federal and state inspectors, Mussman said.

Comments will be accepted until June 18 by the deputy administrator for veterinary services, APHIS, USDA, Federal Bldg., 6505 Belcrest Road, Hyattsville, Md. 20782.

The proposed regulations are scheduled for publication in the April 16 Federal Register.

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U.S.-USSR GRAIN CONSULTATION SET FOR MAY 21 - 22 IN PARIS

WASHINGTON, April 16—U.S. and Soviet grain teams will consult in Paris May 21-22 under terms of the U.S.-USSR grains agreement now in its sixth year.

The U.S. team will be headed by Under Secretary of Agriculture Seeley G. Lodwick. The Soviet team will be headed by Boris Gordeev, deputy minister of foreign trade.

During the two-day session, the teams will review the world, U.S. and Soviet grain situations and prospects. They also will review data on shipments and sales concluded thus far in the sixth agreement year.

The two sides agreed upon Paris as a mutually convenient location for this meeting. Lodwick will be in Germany immediately following the consultation, for meetings with German officials and a speech in

Munich May 27 before the International Association of Seed Crushers. Gordeev will also be traveling in Europe during that period.

The Paris meeting is a routine semi-annual consultation called for under the agreement, which was approved for five years in 1975 and then extended last year for one additional year.

The agreement obligates the United States to provide up to 8 million tons of wheat and corn each year of the pact and the USSR to take at least 6 million tons of these grains annually. At the most recent semi-annual meeting, last Sept. 30-Oct. 1, in Moscow, it was concluded that the USSR could proceed to purchase up to an additional 15 million tons without further consultation.

Soviet purchases of corn and wheat from the United States for delivery this agreement year now total 13.8 million tons.

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